Mr. C. J. Mathew.—I second it.

Motion put and carried

(5) State-aided Industrial Bank—(*cont.*)

Mr. Joseph Pettah.—I rise to support the resolution and in doing so I hope that this resolution will have a better fate than the one relating to the land-mortgage bank in Cochin. I wish to make a few remarks just to bring home to the Hon'ble Members here, first, the necessity of an Industrial Bank in Cochin and secondly, the feasibility of starting such an institution here. Thirdly, I shall deal with the objections which might be raised against this scheme. It is not necessary for me to elaborate the first point, because it is well known among all civilised people that industrial development is a very great necessity if a State is to hold its due economic place among the nations. Cochin has so far been an agricultural country but we have great scope of industrial development. We have all the necessaries for industrial growth, such as a plentiful supply of raw materials, very cheap lobour, etc. The only handicap to industrial development here in Cochin is the paucity of capital. In other parts of India also it has been the same experience and Cochin is no exception to the rule. We have got a good number of banks, no doubt. But they are all commercial banks and not in a position, therefore, to lend money for industrial concerns. The commercial banks, at the most, can lend money only for 90 days whereas industries require money for a much longer period. To take an illustration from Japan, we find the industrial banks there lend money for 20 years at a stretch. No commercial bank can lend money for such a long period of time, and that again for the simple reason that such banks get their funds on current deposits and from short term deposits, which cannot be diverted in the direction of long term loans. Therefore, it is very necessary that a bank of a special type has to be devised for the furtherance of industries. If we take the experience of other countries we shall find that such banks will help industrial development in more ways than one. In the first place they have what is known as an expert staff to investigate any proposition that might be presented to them for the starting of new industries and if the proposition is found to have a sound basis, then the bank guarantees the project either by advancing a loan direct or by taking a few shares in the concern; or again it may offer to under-write a few shares or take some other steps for the furtherance of the project in question. Whatever be the particular method adopted, the bank will be instrumental in giving a great impetus, a start to an industrial project, which on expert investigation has been found to be a sound industrial and finan-

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cial proposition. We have, for example, the experience of Germany. Germany was for long an agricultural country but now we find there is in every shop a flooding, a dumping of German goods. Germany today is a great industrial nation and we need not go very far for a proof of this fact. In our own shops there is sufficient evidence to prove the great efficiency of the industrial organisation of Germany. This has been due to a great measure, to the starting of industrial banks there. We see a similar experience in Japan, where they started industrial banks on the model of French banks.

One great service what might be rendered to any country is to get foreign capital for the industrial development of that country. It is obvious that isolated indigenous industrial concerns will not be in a position to attract foreign capital. On the other hand the foreign capitalists will have the chance of coming into the country and starting businesses there, which would be detrimental to the home people because in that case all the profits will go out of the country. It would be much better for a country if it could borrow capital from foreign countries and start industries of its own with such borrowed capital. If we have an industrial bank, especially a State-aided Industrial Bank, it wouldbe quite easy to borrow foreign capital at very low rates of interest. But that could not be done by any individual industrial concern.

Perhaps some people may look upon all this as mere fancy. But it is not so fanciful if we consider the experience of London, New York, Berlinand other similar industrial centres. The Industrial Bank of Japan has raised 26¼ million pounds in foreign countries. There is no reason why a system which has been found feasible in Germany and other parts of the world should not be a success here in this country, unless it can be proved that there are special difficulties for it in Cochin. The burden of proving that must, I think, be on those who oppose the resolution. As a matter of fact, there are no special difficulties in Cochin for the establishment of an industrial bank. Perhaps from the Treasury Benches some Hon'ble Members may come forward and say that the experiments made in India in this direction have been failures; that there is the great instance of the failure of the Tata Industrial Bank. It is true that this bank has been a failure. But this was not because it was an industrial bank This is what a great writer like Thakkur says about the causes of the failure of the Tata Industrial Bank:—"On account of the mistake of combining long term credit business with ordinary banking transactions and financing both out of current and annual deposits, instead of having recourse to issue of bonds for the former, in a country like India where modern

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banking habits have not been fully established, and also on account of the inexperience of the majority of European employees who controlled, in the main, the affairs of the bank, which in due course alienated the sympathy of the Indian staff whose rights were ignored, and of the Indian banking public, the bank at a premature age of 6 years was taken into voluntary liquidation and merged into the Central Bank of India in 1923."

Again, he goes on to say that failure is no proof that industrial banks could not be successfully established in India; and he recommends that an industrial bank may be established in each of the Provinces of British India. Therefore, the example of the Tata Industrial Bank only shows that we should be careful to avoid the mistakes committed by them. The failure of the industrial banks also prove, in the words of Thakkur again, "that in the present state of banking in India they require something more than a mere private effort." State aid is necessary because private initiative may not come forward to any appreciable extent. It is a novel line. There has not been much of a precedent. Hence the Government has to take the lead. It is not necessary however that the Government should manage the whole thing. It is enough if they guarantee some rate of dividend on the capital invested in it; at the same time they can have a hand in the management of the bank. If such an experiment is tried I am sure it will not be a failure. On the whole it would be a great blessing to our industries. Cochin has in the past made experiments of an industrial character. Unfortunately these were failures—like the Potteries and the Tanneries. And a burnt child would shun the fire. But those failures are no proof that a similar experiment is bound to fail in the banking line. Those industries were of a particular and technical type. Probably there was not much of facility for the Government to undertake particular industries. But here it is a general enterprise which is calculated to help all industries in general. There is also the proposal to start industrial banks in the Provinces of British India. The sister State of Travancore has made a more or less similar experiment. She has a State-Aided Bank, though not of an industrial type; and according to the report the gains for the first 6 months of last year was something like 42 thousand rupees; while the total gain for the year has been estimated at Rs. 92,000 It has proved itself quite a successful undertaking. The Government of Cochin also will do well to consider this aspect of the matter seriously, and to take prompt measures for the establishment of an industrial bank here.

Mr. K. G. Nayar.—I would like to know the Government view,

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Mr. I. N. Menon.—The resolution, so far as I conceive, fixes no definite date for the inauguration of this bank, and if it is left without a date I think Government will be pleased to accept it, as it stands. But if it should materialise this year or in 1109 or 1110 the answer will be somewhat different. I may be permitted to say a few words because I have some distant connections with industries in Cochin, I mean, official connections. The mover and I think, the Hon'ble Member for Adoor, who seconded the resolution pointed out the necessity or need for such a State-aided Industrial Bank. No one who is at all conversant with the backward nature of our industries will question the necessity for making capital available in a larger degree for subsidising all our industries. But at the same time it appears to me that there is an unconscious implicit confusion in the Hon'ble Mover's statement yesterday. After all bank is not like a treasury. The bank is something which rests upon shares and it pre-supposes a certain amount of capital already in the country which is prepared already to be invested in banks. The Hon'ble Member will not think that I am placing any impediment. I am only suggesting certain difficulties which appear to me to make very serious consideration necessary before launching on this.

I am whole-heartedly for this resolution. The only thing is that we should take a little more time before we definitely launch upon a scheme of this sort. There is a vague notion, Sir, that we have an enormous treasure shut up somewhere in our cottage industries. There is a report, a very admirable report, a very able report, drawn up, I think, by Mr. C. Achyuta Menon 20 years ago about the condition of our cottage industries. That report says that the vague feeling that if only we had our cottage industries improved all trouble would go is a great mistake. He says that our cottage industries have never been flourishing. It is not right to say that our cottage industries had a golden time somewhere in the past. I do not think that cottage industry can be developed with money alone. The Hon'ble Member for Adoor said that the Potteries and the Tanneries failed for some inscrutable reason. Many such inscrutable reasons operate also in the case of these poor cottage industries. I am absolutely on the same footing with him. Why not make a research and an enquiry before we enter into such questions? I only submit that we should enquire into the possibilities of the development of cottage industries—what are the cottage industries which are capable of improvement, whether they require special subsidies and whether the bank is the best solution for them.

Mr. Joseph Pettah.—State aid is required not only to subsidise cottage industries but also industries of other kinds?

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Mr. I. N. Menon.—What are the huge manufacturing industries here besides coir industry? Beyond that we have not got any manufacturing industry.

Mr. Joseph Pettah—That is the reason why a bank is required.

Mr. I. N. Menon.—We have to ascertain whether want of capital is the only reason why we have not got huge manufacturing industries.

Mr. Poptlal Goverdhan Lalan.—We have got rubber industry.

Mr. I. N. Menon.—It is quite true. Whether it has a future I cannot say. I am not asking him to commit anything definite. With a view to that an economic survey has been definitely decided upon and I don't know whether the Government has as yet decided whether we should have a special officer. I suppose it is very likely and probably very desirable. Why not wait and see what the survey has to say? Some special officer will be deputed to do it. We have waited for centuries, and no material harm will come to our cottage industries if we wait for some time more. If it says that an industrial bank is the solution or one of the real solutions, Government certainly will only be too glad to take steps to start such a bank. But at present I think it will be difficult for the Government to commit itself.

Mr. Joseph Pettah.—May I know what measures have been taken so far for an economic survey of the State?

Mr. I. N. Menon.—Certain lines on which the survey should be conducted have been chalked out and the question of appointing a special officer is now receiving the attention of Government.

Mr. Joseph Pettah.—When do the Government expect to start the survey?

Mr. I. N. Menon.—What I can say is that it will be started very soon. Since there is the possibility of getting information, it will be quite unnatural if we do anything without ascertaining facts. We shall not have to wait indefinitely. I submit that this proposal may be made to wait pending the results of the survey.

Mr. Popatlal Goverdhan Lalan.—The views from the Treasury Bench are very attractive because we now see that we have to wait. By that time the disease of the economic depression will become more acute in the Cochin State. I think in the meantime this disease will kill the whole of our industries. We are not anxious to begin big industries but we find that our own products *i. e.*, raw materials, are exported from these parts and sent to other countries and are again imported into our country after paying heavy conveyance charges, duties and also profits

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to some thousands of people elsewhere. This means that it is killing the business of our country. I do not know why we have to wait till the survey is over. If any Hon'ble Member will take the task of going to Alleppey, he can find out how far the matting industries have progressed there. If you go into the interior parts there you can find that so many people are engaged in matting works and are earning their livelihood. Similarly we can have so many industries here. We do not want the Government to empty the whole treasury to invest on these industries but we want only some aid from the Government. When the name of the Government is there we can sell shares in the market. I think the subjects of this State will come forward and take shares and thus help the middle class people and even lift up the country. So I hope the Government will consider this question. We want only some aid from the Government. I do not know what relief the fourth stage of the Harbour is going to bring to the middle class people. There is no chance of a footing in that Department for Cochinites. When we bring forward the question of giving some aid by the Government, we hear from the Treasury Benches that we have to wait for some time more. We will wait. But the whole thing in the end will collapse. With these words I press the motion to a division.

Motion put and negatived.

(6) Judicial Officers as executive Heads of Departments.

Mr. A. Eachara Menon.—Sir, the Resolution that stands in my name reads thus:—"That this Council recommends to the Government that in future no Judicial officer of above the status of an Additional District Judge be appointed as executive Heads of Departments." That no officer from the judiciary should be drafted to the executive is a principle which has been admitted by all the civilized Governments. It has been observed in this State also to such an extent that it was made possible for a second grade officer to act as Diwan of Cochin. There had been fragrant violations as well of this policy here. I had specially said that no judicial officer of above the status of Additional District Judge should be drafted to the executive. Because according to me the District Judges should have no other thought than that of equipping themselves by dealing out even-handed justice and studying case law to adorn the highest judicial tribunal of the Cochin State. That tribunal, I may remark, I pray to be excused for remarking, as at present constituted has, not the very high appreciation of the general public. The services were considered top-heavy and one of the chief reference to the Special Finance Committee was to see how that can be set right without affect-

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